

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

ILLINOIS COMMERCE COMMISSION)	
On Its Own Motion)	
)	ICC Docket No. 00-0700
Illinois Bell Telephone Company)	
)	
Investigation into tariff providing unbundled)	
local switching with shared transport)	

**REPLY TO AMERITECH ILLINOIS' RESPONSE TO STATEMENT OF
SUPPLEMENTAL AUTHORITY OF AT&T COMMUNICATIONS OF
ILLINOIS, INC. AND WORLDCOM, INC.**

AT&T Communications of Illinois, Inc. ("AT&T") and WorldCom, Inc.

("WorldCom") hereby submit their reply to the Response of Ameritech Illinois
("Ameritech") to the Statement of Supplemental Authority filed by AT&T and
WorldCom in the above matter.

In its response filed April 9, 2002, Ameritech contends that "the Commission should keep in mind that *this* proceeding is concerned with prices in *Illinois*, and not those in any other state." Ameritech Response to Statement of Supplemental Authority (hereafter, "Ameritech Response"), p. 1. Despite this position statement, Ameritech continues for six pages detailing the prices that the Indiana and Ohio state commissions have allegedly adopted for Unbundled Local Switching ("ULS") and Unbundled Local Switching-Shared Transport ("ULS-ST"). AT&T and WorldCom agree with Ameritech that this proceeding is about prices in Illinois, and recommend that the Commission take Ameritech's own advice and ignore the prices adopted in other states where, as here, a full evidentiary record based on Illinois has been supplied to the Commission.

In fact, a close look at the Statement of Supplemental Authority filed on March 28, 2002 by reveals that AT&T and WorldCom do not mention prices at all. Rather, AT&T and WorldCom filed their Statement of Supplemental Authority to point out to the Commission that the *rate structure* for ULS that has been adopted by the Indiana and Wisconsin commissions is the same rate structure that currently exists in Illinois and the same rate structure that the CLECs, including AT&T and WorldCom, advocate in this proceeding. Certainly Ameritech cannot legitimately contend that the fact that the Indiana and Wisconsin state commissions have adopted a flat rate for ULS is irrelevant since *Ameritech itself has injected the issue of ULS rate structures adopted by other state commissions into this proceeding*. In fact, attached to Ameritech witness Mr. Palmer's surrebuttal testimony in this proceeding is a comparison of the ULS rate structures adopted by the 50 states. See Am. Ill. Ex. 2.2, Sch. WCP-1S, Table 1.

Moreover, in its Initial Brief, Ameritech was quick to point out -- and obviously thought it relevant -- that the other 49 states had adopted a bifurcated rate structure for ULS consisting of a flat monthly rate for the port and a per minute of use rate. See Ameritech Initial Br. dated August 30, 2001 at 21-22. Then, at page 11 in its Brief on Exceptions dated March 4, 2002, Ameritech was again quick to point out -- and, again, obviously thought it relevant -- that 48 of the other 49 states had adopted a bifurcated rate structure with a monthly port charge and a usage charge. The number has now dwindled down to 47 as Wisconsin and Indiana join Illinois in adopting a flat rate for ULS -- a point that Ameritech, AT&T and WorldCom all think is clearly relevant.

While Ameritech cannot now very well disassociate itself from these decisions, it nonetheless takes a shot at misconstruing them as well as misconstruing its position in

this proceeding. Ameritech first contends that the flat-rated portion of its Alternative #2 falls comfortably within the “range” of ULS rates discussed by the Indiana Commission in its order. Ameritech is plain wrong. While AT&T and WorldCom cannot reveal the precise flat ULS rate adopted in Indiana due to proprietary concerns,¹ the flat ULS rate in Indiana -- which was filed on April 12, 2002 -- is less than \$3.00 when the Daily Usage Feed, or DUF, charge is subtracted from the ULS rate, *even with the shared and common cost allocation included*. Thus, the proposal of AT&T/WorldCom in this proceeding is more aligned with the comparable ULS rate in Indiana than is Ameritech’s Alternative #2 proposal.

This is particularly true in light of the fact that Ameritech attempts to couch its Alternative 2 proposal as “essentially a flat-rated proposal.” Ameritech Response at p. 2 n.3. AT&T and WorldCom don’t know what an “essentially flat-rated proposal” for ULS is. Either the proposal contains no minute of use charge, which makes it a flat-rated proposal, or it contains a minute of use charge, which necessarily means that it is *not* a flat-rated proposal. Lest there be any confusion at all, Ameritech’s Alternative #2 ***is not a flat-rated proposal, either essentially or non-essentially***. Alternative #2 would very clearly assess to the CLEC a flat-rated basic port charge of \$3.16 and a per minute of use charge of \$0.000205.

Ameritech then attempts to downplay the effect of the Wisconsin commission by lifting isolated excerpts from that decision. See Ameritech Response, p. 3. The Commission should consider these excerpts in their appropriate context. Ameritech

¹ Unlike Illinois, the flat rate for ULS in Indiana includes the Daily Usage Feed, or DUF, charge, which has been designated as proprietary. Thus, to make a valid comparison between the Illinois and Indiana flat rates for ULS, the cost of the DUF must be subtracted from the flat rate charge for ULS in Indiana.

neglects to mention that the Wisconsin Commission found that it was “not reasonable to use the blend of replacement growth lines and growth lines in Ameritech’s contracts for costing purposes; instead, a 70 percent replacement lines and 30 percent growth lines blend should be used.” Wisconsin Order, p. 7. That blend is the same blend adopted by the Proposed Order and, as the Wisconsin Commission pointed out, “[t]his ratio is consistent with the ratio ordered by the Michigan Commission and with the ratio of replacement lines to growth lines in Ameritech’s network today.” Wisconsin Order at 70.

Moreover, while AT&T and WorldCom agree with Ameritech that the Wisconsin Commission did allude to the fact that nearly every jurisdiction has established tariffs or approved interconnection agreements for ULS that have included both per-line and minute-of-use charges, the Wisconsin Commission very clearly pointed out why that historical practice is no longer appropriate, both factually and as a matter of policy, in this era of digital switches and competitive entry:

This [bifurcated] rate structure appears to be a historical practice that originated with analog switches that clearly had costs that vary with usage. While the Commission recognizes the precedence set by other states and accepted by the FCC for the use of per-minute charges in the recovery of the cost of a switch, it finds that there are compelling policy reasons to break from this practice. The Commission does not interpret the FCC rules and orders to mandate the use of per-minute charges as much as they permit such charges.

Digital switches are essentially large computers, and as the cost of computer memory has declined, so has the cost of extra capacity on the switch. The net result is that switch manufacturers design enough switching fabric and processor capacity into their switches to serve the maximum lines that can be installed on the switch without blockage, based upon the expected use per line. In its own contracts with its switch vendors, Ameritech agreed to pay for its switches on a per-line basis without any usage fees, but there are provisions that assess extra charges

when Ameritech needs to order additional equipment to accommodate usage growth.

* * * * *

The Commission also finds it reasonable to assume that the current switches were engineered with sufficient capacity so that the likelihood that Ameritech will actually incur significant additional costs because of increased usage per line is quite small. Because of the way the switches are engineered and the way Ameritech pays for its switches, there is no compelling cost or engineering rationale for requiring a rate design that includes a minute-of-use charge.

* * * * *

The Commission, while reluctant to go against the traditional rate structure for unbundled switching, finds that there are compelling policy reasons for the use of a flat per-line port charge, and that the cost-based rationale for a per-minute charge is not strong enough to overcome these policy goals. The primary policy concern is that in order to compete with Ameritech, the CLECs need to pay for their unbundled switching in the same way the Ameritech pays for its switching.

Wisconsin Order at pp. 80-83 (emphasis supplied).

These same compelling policy reasons apply here. In fact, Ameritech uses the very same switch vendor contracts for Illinois, Wisconsin and Indiana. This Commission has set many pro-competitive trends in the industry, including establishing a flat-rated ULS rate element. With history, experience and a chance to carefully analyze the facts and evidence presented as well as the associated public policy reasons, several other state commissions are following that trend. This Commission should continue on that pro-

competitive track by adopting the Proposed Order with the modifications described by AT&T and WorldCom in their Joint Brief on Exceptions.

Respectfully submitted,

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Dated: April 16, 2002